

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 XMB-07 PM-07 NSC-10 SPC-03 SS-20 RSC-01

CIAE-00 INR-10 NSAE-00 L-03 H-03 PRS-01 USIA-15 EB-11

AID-20 COME-00 TRSE-00 OMB-01 DOTE-00 DRC-01 /128 W

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8184

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E. O. 11652: NA

TAGS: EFIN, EAID, EGEN

SUBJ: SECOND INTERNATIONAL AIRPORT

REF: A. BANGKOK 16799; B. BANGKOK 14817.

1. BEGIN UNCLASSIFIED. FOLLOWING DEVELOPMENTS OF SIGNIFICANCE ON
SECOND INTERNATIONAL AIRPORT HAVE OCCURRED SINCE REFTEL:

A) BANGKOK WORLD ON NOVEMBER 6 CARRIED SHORT PRESS ARTICLE
REPORTING UNDER SECRETARY OF STATE FOR COMMUNICATIONS, DR. SIRILAK,
AS STATING THAT IF NORTHROP COULD NOT OBTAIN THE REQUIRED FINANCIAL
BACKING THE CONTRACT WOULD BE SHELVED AND OTHER FOREIGN COMPANIES
MIGHT BE AWARDED A NEW CONTRACT OR THAI GOVERNMENT MIGHT DO THE WORK
ITSELF (THE SAME GENERAL POSITION HAD BEEN STATED PUBLICLY BY THE
FORMER MIN. OF COMMUNICATIONS SHORTLY BEFORE PREVIOUS GOVERNMENT'S
RESIGNATION - REFTEL B). SIRILAK REFERRED TO THE 150 MILLION BAHT
PER YEAR EARNED BY THE PRESENT AIRPORT AND SAID THIS AMOUNT COULD BE
SET ASIDE TO PAY FOR A NEW AIRPORT INSTEAD OF BEING PAID TO THE
TREASURY. END UNCLASSIFIED.

B) NEW FINANCE MINISTER BOONMA ON NOVEMBER 8, IN RESPONSE
TO REFERENCE BY ECON/CML COUNSELOR TO PRESS ARTICLE CITED ABOVE,
INDICATED HE WOULD HAVE RESERVATIONS ABOUT RTG ASSUMING ADDITIONAL
DEBT BURDEN OF MAGNITUDE REQUIRED TO FINANCE SECOND AIRPORT. CHIEF
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OF FISCAL POLICY DIVISION, WHILE WAITING FOR CALL ON MINISTER,

SUGGESTED TO ECON/CML COUNSELOR THAT WHOLE QUESTION OF DEFAULT BE DROPPED FROM CONTRACT AND THEREBY REMOVE REASON FOR EXIM BANK REQUESTING GUARANTEE. SAID HE COULDN'T OFFICIALLY PROPOSE THIS ACTION TO HIS MINISTER BECAUSE MINISTRY OF FINANCE HAD NOT BEEN REPRESENTED ON NEGOTIATING COMMITTEE SINCE DECEMBER 1972.

C) NEW MINISTER OF COMMUNICATIONS REAR ADMIRAL CHALIE TOLD ECON/

CML COUNSELOR NOVEMBER 5 THAT HE DID NOT EXPECT NEW GOVERNMENT TO ACT ON SECOND AIRPORT UNTIL NORTHROP HAD FORMED THE REQUIRED JOINT VENTURE COMPANY (WHICH IN TURN IS CONTINGENT ON RAISING NECESSARY CAPITAL) OR THE DEADLINE OF DECEMBER 31 FOR DOING SO HAD BEEN REACHED. ALSO SAID THERE SEEMED LITTLE PROSPECT THAT RTAF HEAD-QUARTERS WOULD MOVE FROM PRESENT SITE, A STEP THAT HE DESCRIBED AS BEING A LARGE AND VERY COSTLY UNDERTAKING IN ANY EVENT THAT WOULD AMOUNT IN COMPLEXITY TO MOVING AN ENTIRE URBAN COMMUNITY. ON NOVEMBER 9, WHEN ECON/CML COUNSELOR ACCOMPANIED MR. CLARK OF BOARD OF EXIM BANK ON CALL ON MINISTER, LATTER EXPANDED ON THESE POINTS, AS DID HIS ASSISTANT WHO HAS BEEN A MEMBER OF THE NEGOTIATING COMMITTEE SINCE ITS INCEPTION. LATTER MADE POINT THAT ONE IRREMIEDIABLE PROBLEM IN CONTINUED USE OF PRESENT AIRPORT WAS NECESSITY FOR PLANES TO AVOID FLYING OVER PALACE DESPITE LATTER'S LOCATION ON FLIGHT PATH. MINISTER SAID THAT PREVIOUS GOVERNMENT HAD TAKEN UNPRECEDENTED STEP OF GRANTING A MONOPOLY FOR A LIMITED PERIOD OF TIME TO AN AMERICAN COMPANY WITHOUT THE USUAL COMPETITIVE BIDDING PROCEDURE. INTENT IN DOING SO WAS TO AVOID ALL RTG FINANCIAL RESPONSIBILITY FOR SECOND AIRPORT THAT WAS CLEARLY NEEDED IN LIGHT OF SPACE AVAILABLE AT DON MUANG AND AIR TRAFFIC PROJECTIONS. USG HAD GIVEN CONSIDERABLE AID TO THAILAND WITHOUT ANY FINANCIAL RETURN; AMOUNT NOW BEING REQUESTED OF EXIM BANK BY NORTHROP AIRCRAFT DEVELOPMENT CORPORATION WAS VERY SMALL BY COMPARISON AND CARRIED WITH IT THE EARNINGS OF THE NEW AIRPORT SHOULD PROVIDE NO CAUSE FOR CONCERN ABOUT POSSIBLE DEFAULT ON THE CONTRACT AS LONG AS COMPETENT MANAGEMENT IS IN CONTROL.

D) CLARK IN REPLY REFERRED TO THE CURRENT HIGH COST OF BORROWED MONEY THAT WOULD CONFRONT NORTHROP, SAID THE EXIM BANK BOARD ONLY TWO DAYS AGO HAD REAFFIRMED TO NORTHROP THE TERMS OF ITS ORIGINAL PRELIMINARY COMMITMENT AND ASSERTED HE WOULD BRING THE MINISTER'S LIMITED OFFICIAL USE

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VIEWS TO THE ATTENTION OF THE BOARD.

E) LORD AND MOSES OF NADC CALLED ON ECON/CML COUNSELOR NOVEMBER 12 TO DISCUSS CURRENT STATUS OF THE AIRPORT PROJECT. SAID THEY HAD TALKED WITH MINISTER OF INDUSTRY OSOT KOSIN, A LAWYER BY TRAINING AND CURRENTLY A MEMBER OF CONSTITUTION DRAFTING COMMITTEE WHO TOLD THEM THAT UNDER LAW AND PRACTICE THAI GOVT IN EVENT OF TAKEOVER OF ASSETS WOULD BE BOUND TO REPAY DEBTS OF THE DEFAULTING

SIGNATORY TO A CONTRACT SUCH AS FOR THE SECOND AIRPORT. ALSO
REPORTEDLY DECLARED HE WOULD BRING TYQS VIEW TO ATTENTION OF OTHER
INTERESTED CABINET OFFICIALS. ACCORDING TO LORD AND MOSES,
THAI GOVERNMENT ON SEPTEMBER 4 HAD ACCEPTED PRINCIPLE THAT
CREDITORS OF JOINT VENTURE AIRPORT COMPANY, IN EVENT OF DEFAULT,
HAD RIGHT TO REPAYMENT OUT OF OPERATING REVENUE.
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